



H.R. 1065 – Nonadmitted and Reinsurance Reform Act of 2007

Floor Situation

H.R. 1065 is being considered on the floor under suspension of the rules and will require a two-thirds majority vote for passage. This legislation was introduced by Representative Dennis Moore (D-KS) on March 21, 2007. The bill was referred to the Financial Services Committee and the Judiciary Committee, but was never considered.

H.R. 1065 is expected to be considered on the floor on June 25, 2007.

*** Note: Similar legislation, S.929, was introduced in the Senate by Senator Martinez (R-FL) on March 20, 2007. During the 109th Congress, Rep. Brown-Waite (R-FL) introduced the Nonadmitted and Reinsurance Act of 2006, H.R. 5635, which the House of Representatives passed 417-0 on September 27, 2005. It was never considered by the Senate.*

Background

Non-admitted (surplus) insurance providers offer coverage to consumers who are unable to find insurance from a licensed insurer, which is usually because it is a rare or atypical risk – i.e. art, toxic chemicals, natural disasters, etc. In general, insurance providers must get a license from any state in which it wants to offer policies. Unlike standard insurance providers, “surplus” insurance providers are not required to be licensed in each state, causing them to be more loosely regulated.

Insurance companies use the practice of reinsurance to protect their liabilities by buying insurance from another insurance provider.

Summary

H.R. 1065 would create a uniform system for taxing and regulating certain types of insurance products. It establishes single state regulation for surplus lines policies, brokers, and premium taxes, thus giving preeminent regulatory and tax authority to the insured’s home state. It would also prohibit states that do not have a regulatory mechanism similar to the National Association of Insurance Commissioners (NAIC) from collecting fees relating to licensure of surplus lines brokers.

The bill would implement a similar approach for reinsurance regulations. It establishes a single state regulation for the determination of credit for reinsurance and regulation of the solvency of a reinsurer.

Cost

There is currently no CBO score for H.R. 1065. However, in 2006, the CBO scored similar legislation, H.R. 5637, as having no significant impact on federal spending. CBO estimated that H.R. 5637 would actually increase federal revenues by \$5-\$10 million over the 2008-2106 period.

Staff Contact

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